

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2008

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Bertrand	County Berrien
Fiscal Year End March 31, 2008	Opinion Date May 28, 2008	Date Audit Report Submitted to State June 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.		Telephone Number 989-894-1040	
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
		Zip 48707	
Authorizing CPA Signature 		Printed Name Mark J. Campbell	License Number 1101007803

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	7
Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to Financial Statements	11-17
Required Supplemental Information:	
Budgetary Comparison Schedule – General Fund	18
Budgetary Comparison Schedule – Fire Fund	19
Budgetary Comparison Schedule – Capital Improvements Fund	20
Other supporting information:	
Current Tax Collection Fund Statement of Changes in Assets and Liabilities	21
Current Tax Collection Fund Statement of Cash Receipts and Disbursements	22

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **INDEPENDENT AUDITOR'S REPORT**

May 28, 2008

To the Township Board  
Township of Bertrand  
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Bertrand, Berrien County, Michigan as of and for the year ended March 31, 2008 which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bertrand's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Bertrand, Berrien County, Michigan as of March 31, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

The Management's Discussion and Analysis report of the Township of Bertrand covers the Township's financial performance during the year ended March 31, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2008, totaled \$2,137,905.23 for governmental activities.

Overall revenues were \$780,143.88 from governmental activities. Governmental activities had a \$207,060.90 increase in net assets.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, Fire Fund, Capital Improvements Fund, and the River Terrace Fund.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan  
**CONDENSED FINANCIAL INFORMATION**  
For the Year Ended March 31, 2008

	<u>Total Governmental Activities 2008</u>
Current Assets	1 508 834
Capital Assets	<u>1 116 991</u>
<b>Total Assets</b>	<b><u>2 625 825</u></b>
Current Liabilities	163 090
Non-current Liabilities	<u>324 830</u>
<b>Total Liabilities</b>	<b><u>487 920</u></b>
Net Assets:	
Invested in Capital Assets	768 721
Unrestricted	<u>1 369 184</u>
<b>Total Net Assets</b>	<b><u>2 137 905</u></b>

	<u>Total Governmental Activities 2008</u>
Program Revenues:	
Fees and Charges for Services	69 089
Capital Grants and Contributions	62 132
General Revenues:	
Property Taxes	353 386
State Revenue Sharing	168 123
Interest	19 849
Miscellaneous	<u>107 565</u>
<b>Total Revenues</b>	<b><u>780 144</u></b>
Program Expenses:	
Legislative	144 695
General Government	101 261
Public Safety	208 235
Public Works	94 435
Interest on Long-Term Debt	<u>24 457</u>
<b>Total Expenses</b>	<b><u>573 083</u></b>
<b>Increase in Net Assets</b>	<b>207 061</b>
<b>Net Assets, April 1</b>	<b><u>1 930 844</u></b>
<b>Net Assets, March 31</b>	<b><u>2 137 905</u></b>

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2008

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, Fire Fund, Capital Improvements Fund, and the River Terrace Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The total expenditures for the year were \$376,951.57. The Fire Fund pays for the Township's fire services. Fire protection incurred expenses of \$242,074.85. The River Terrace Fund pays for street lighting within the Township. Street lighting incurred expenses of \$1,392.72.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$68,864.00 in capital assets.

The Township's governmental activities paid \$46,404.20 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township at 3835 Buffalo Road; Buchanan, MI 49107.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2008

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	1 371 406 20
Taxes receivable	22 427 49
Restricted assets	<u>115 000 00</u>
Total Current Assets	<u>1 508 833 69</u>
NON-CURRENT ASSETS:	
Capital Assets	1 642 797 00
Less: Accumulated Depreciation	<u>(525 806 04)</u>
Total Non-current Assets	<u>1 116 990 96</u>
TOTAL ASSETS	<u><u>2 625 824 65</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	12 312 60
Deposit payable	115 000 00
Accrued wages	12 337 22
Accrued interest	<u>23 440 00</u>
Total Current Liabilities	<u>163 089 82</u>
NON-CURRENT LIABILITIES:	
Note payable	<u>324 829 60</u>
Total Non-current Liabilities	<u>324 829 60</u>
Total Liabilities	<u>487 919 42</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	768 721 36
Unrestricted	<u>1 369 183 87</u>
Total Net Assets	<u>2 137 905 23</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2 625 824 65</u></u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BERTRAND  
Berrien County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

FUNCTIONS/PROGRAMS	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Capital Grants - Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	144 694 80	-	-	(144 694 80)
General government	101 261 27	3 383 09	-	(97 878 18)
Public safety	208 235 34	63 044 60	62 132 00	(83 058 74)
Public works	94 434 61	2 661 09	-	(91 773 52)
Interest on long-term debt	24 456 96	-	-	(24 456 96)
Total Governmental Activities	<u>573 082 98</u>	<u>69 088 78</u>	<u>62 132 00</u>	<u>(441 862 20)</u>
General Revenues:				
Property taxes				353 386 04
State revenue sharing				168 122 79
Interest				19 849 38
Miscellaneous				<u>107 564 89</u>
Total General Revenues				<u>648 923 10</u>
Change in net assets				207 060 90
Net assets, beginning of year				<u>1 930 844 33</u>
Net Assets, End of Year				<u>2 137 905 23</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

**BALANCE SHEET – GOVERNMENTAL FUNDS**

March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Capital Improvements</u>	<u>Other Funds (River Terrace)</u>
<b><u>Assets</u></b>				
Cash in bank	988 698 58	352 461 37	-	4 605 35
Taxes receivable	6 445 76	15 856 73	-	125 00
Due from other funds	6 058 32	32 004 83	-	-
Restricted assets	<u>115 000 00</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><u>1 116 202 66</u></u>	<u><u>400 322 93</u></u>	<u><u>-</u></u>	<u><u>4 730 35</u></u>
<b><u>Liabilities and Fund Equity</u></b>				
<b>Liabilities:</b>				
Accounts payable	5 735 54	6 577 06	-	-
Deposit payable	115 000 00	-	-	-
Accrued wages	1 773 83	10 563 39	-	-
Due to other funds	<u>-</u>	<u>12 422 25</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u><u>122 509 37</u></u>	<u><u>29 562 70</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Fund equity:</b>				
Fund balances:				
Unreserved:				
Undesignated	<u>993 693 29</u>	<u>370 760 23</u>	<u>-</u>	<u>4 730 35</u>
<b>Total fund equity</b>	<u><u>993 693 29</u></u>	<u><u>370 760 23</u></u>	<u><u>-</u></u>	<u><u>4 730 35</u></u>
<b>Total Liabilities and Fund Equity</b>	<u><u>1 116 202 66</u></u>	<u><u>400 322 93</u></u>	<u><u>-</u></u>	<u><u>4 730 35</u></u>

The accompanying notes are an integral part of these financial statements.

Total

1 345 765 30

22 427 49

38 063 15

115 000 00

1 521 255 94

12 312 60

115 000 00

12 337 22

12 422 25

152 072 07

1 369 183 87

1 369 183 87

1 521 255 94

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 369 183 87
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	1 642 797 00
Accumulated depreciation	(525 806 04)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Note payable	(324 829 60)
Accrued interest is not recorded in the fund-based statements	<u>(23 440 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>2 137 905 23</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2008

	<u>General</u>	<u>Fire</u>	<u>Capital Improvements</u>	<u>Other Funds (River Terrace)</u>
Revenues:				
Property taxes	108 339 96	245 046 08	-	-
Federal grant	-	60 685 00	-	-
State revenue sharing	168 122 79	-	-	-
State grant	-	1 447 00	-	-
Licenses and permits	67 563 78	-	-	-
Interest	13 837 92	4 915 00	1 092 12	4 34
Special assessment	-	-	-	1 525 00
Miscellaneous	107 564 89	-	-	-
Total revenues	<u>465 429 34</u>	<u>312 093 08</u>	<u>1 092 12</u>	<u>1 529 34</u>
Expenditures:				
Legislative:				
Township Board	144 694 80	-	-	-
General government:				
Supervisor	16 334 45	-	-	-
Elections	1 013 70	-	-	-
Assessor	18 980 00	-	-	-
Clerk	15 019 77	-	-	-
Treasurer	17 189 49	-	-	-
Building and grounds	24 082 82	-	-	-
Cemetery	3 418 12	-	-	-
Public safety:				
Fire protection	-	110 528 69	-	-
Protective inspection	45 597 53	-	-	-
Public works:				
Drains	3 028 93	-	-	-
Highways and streets	79 412 96	-	-	-
Street lights	-	-	-	1 392 72
Capital outlay	8 179 00	60 685 00	-	-
Debt service	-	70 861 16	-	-
Total expenditures	<u>376 951 57</u>	<u>242 074 85</u>	<u>-</u>	<u>1 392 72</u>
Excess of revenues over expenditures	<u>88 477 77</u>	<u>70 018 23</u>	<u>1 092 12</u>	<u>136 62</u>
Other financing sources (uses):				
Operating transfers in	45 187 52	-	-	-
Operating transfers out	-	-	(45 187 52)	-
Total other financing sources (uses)	<u>45 187 52</u>	<u>-</u>	<u>(45 187 52)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	133 665 29	70 018 23	(44 095 40)	136 62
Fund balances, April 1	<u>860 028 00</u>	<u>300 742 00</u>	<u>44 095 40</u>	<u>4 593 73</u>
Fund Balances, March 31	<u>993 693 29</u>	<u>370 760 23</u>	<u>-</u>	<u>4 730 35</u>

The accompanying notes are an integral part of these financial statements.

Total

353 386 04  
60 685 00  
168 122 79  
1 447 00  
67 563 78  
19 849 38  
1 525 00  
107 564 89

780 143 88

144 694 80

16 334 45  
1 013 70  
18 980 00  
15 019 77  
17 189 49  
24 082 82  
3 418 12

110 528 69  
45 597 53

3 028 93  
79 412 96  
1 392 72  
68 864 00  
70 861 16

620 419 14

159 724 74

45 187 52  
(45 187 52)

-

159 724 74

1 209 459 13

1 369 183 87

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 159 724 74

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(67 932 04)
Capital Outlay	68 864 00

Repayment of debt principal is an expenditure in the governmental funds, the repayment  
does not have an effect in the statement of activities but does reduce the debt  
balance in the statement of net assets.

Principal payments on long-term debt	
Bonds payable	<u>46 404 20</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>207 060 90</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies**

The accounting policies of the Township of Bertrand, Berrien County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

**Reporting Entity**

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bertrand. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.



TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2007 tax roll millage rate was 3.1565 mills, and the taxable value was \$112,383,438.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	15-60 years
Equipment	3-25 years

**Compensated Absences (Vacation and Sick Leave)**

Employees are not allowed to accumulate vacation and sick pay.

**Post-employment Benefits**

The Township provides no post-employment benefits to past employees.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three financial institutions for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 666 017 80</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	500 000 00
Uninsured and Uncollateralized	<u>1 189 536 30</u>
Total Deposits	<u>1 689 536 30</u>

The Township did not have any investments as of March 31, 2008.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Township manages its exposure to interest rate risk is by participating in financial institution pooled funds and in mutual funds which hold diverse investments that are authorized by law for direct investments.

**Concentration of Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The financial institution pooled funds and the mutual funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 3 – Deposits and Investments (continued)**

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investment, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/07	Additions	Deletions	Balance 3/31/08
<b><u>Governmental Activities:</u></b>				
Land and improvements	65 355 00	-	-	65 355 00
Buildings and improvements	56 784 00	8 179 00	-	64 963 00
Office equipment	28 687 00	-	-	28 687 00
Fire station	702 256 00	-	-	702 256 00
Fire equipment	561 851 00	60 685 00	-	622 536 00
Streets and highways	159 000 00	-	-	159 000 00
<b>Total</b>	<b>1 573 933 00</b>	<b>68 864 00</b>	<b>-</b>	<b>1 642 797 00</b>
<b>Accumulated Depreciation</b>	<b>(457 874 00)</b>	<b>(67 932 04)</b>	<b>-</b>	<b>(525 806 04)</b>
<b>Net Capital Assets</b>	<b>1 116 059 00</b>	<b>931 96</b>	<b>-</b>	<b>1 116 990 96</b>

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes a percentage of each covered employee's wages to the plan. The covered employees also contribute a percentage of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2008 was \$11,683.50.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2008

**Note 8 – Restricted Assets**

The balances for the restricted asset accounts are as follows:

Cash and cash equivalents	115 000 00
Less deposit payable	<u>(115 000 00)</u>
Net fund balance restricted	<u><u>-</u></u>

Bertrand Township entered into four agreements to allow Michiana Aggregate, Inc. (the "Company") to use land within the Township as gravel pits. Under the agreements, the Company is paying the Township \$0.05 for every ton of aggregate removed. At such time that the land use is terminated and the land is restored in accordance with these agreements, all money held by the Township will be returned to the Company for each site. Funds collected from the Company have been restricted for future payments related to these agreements.

**Note 9 – Building Permits**

As of March 31, 2008, the Township had building permit revenues of \$38,653.60 and building permit expenses of \$26,030.39.

**Note 10 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	<u>Balance 4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/08</u>
Fire station note payable	<u>371 233 80</u>	<u>-</u>	<u>46 404 20</u>	<u>324 829 60</u>
Total	<u><u>371 233 80</u></u>	<u><u>-</u></u>	<u><u>46 404 20</u></u>	<u><u>324 829 60</u></u>

**Note 11 – Fire Station Note Payable**

The Township obtained a loan from Fifth Third Bank to pay for a new fire station. The Township makes an annual principal payment of \$46,404.20 plus interest at 6.5% per annum.

As of March 31, 2008, the principal balance outstanding was \$324,829.60 and it is payable as follows:

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
4/14/08	6.5%	\$46 404 20	\$21 114 00
4/14/09	6.5	46 404 20	18 098 00
4/14/10	6.5	46 404 20	15 081 00
4/14/11	6.5	46 404 20	12 065 00
4/14/12	6.5	46 404 20	9 049 00
4/14/13	6.5	46 404 20	6 033 00
4/14/14	6.5	<u>46 404 40</u>	<u>3 016 00</u>
Totals		<u><u>\$324 829 60</u></u>	<u><u>\$84 456 00</u></u>

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2008

**Note 12 – Joint Venture**

The Township is a member of the Southwestern Michigan Community Ambulance Service, which provides ambulance services to residents of Buchanan, Niles, Niles Township, Bertrand Township, Buchanan Township, and Howard Township. These residents provide annual funding for its operations through special assessments. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the ambulance service can be obtained from the administrative offices at 2100 Chicago Road, Niles, Michigan.

The Township is a member of the Southeast Berrien County Landfill Authority, Inc., which collects and disposes of garbage and rubbish for the residents of Buchanan, Niles, Niles Township, Bertrand Township, and Buchanan Township. The participating communities initially provided annual funding for its operations. The Township has entered into a contract with the Southeast Berrien County Landfill Authority, Inc. for the collection of the Township's solid waste and recycling. The Township is no longer required to make operating contributions to the Southeast Berrien County Landfill Authority, Inc. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Southeast Berrien County Landfill Authority, Inc. can be obtained from the administrative offices at 3200 Chamberlain Road, Buchanan, Michigan.

**Note 13 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	12 422 25	Fire	12 422 25
Fire	32 004 83	Current Tax Collection	32 004 83
Current Tax Collection	6 363 93	General	6 363 93
Total	<u>50 791 01</u>	Total	<u>50 791 01</u>

**Note 14 – Budget Variances**

During the fiscal year ended March 31, 2008, Township expenditures exceeded the budgeted amounts in the activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Excess Expenditures</u>
General Fund Activity:			
Elections	800 00	1 013 70	213 70
Capital outlay	-	8 179 00	8 179 00

**Note 15 – Restatements**

An adjustment was made to restate the net assets of governmental activities at April 1, 2007 as follows:

Net Assets – March 31, 2007	\$1 926 250 60
Prior Period Restatement:	
River Terrace Fund – Fund balance	<u>4 593 73</u>
Adjusted Net Assets – April 1, 2007	<u>1 930 844 33</u>

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
<b>Revenues:</b>				
Property taxes	108 600 00	108 600 00	108 339 96	(260 04)
State revenue sharing	148 220 00	148 220 00	168 122 79	19 902 79
Licenses and permits	81 000 00	81 000 00	67 563 78	(13 436 22)
Interest	7 100 00	32 100 00	13 837 92	(18 262 08)
Miscellaneous	82 400 00	82 400 00	107 564 89	25 164 89
<b>Total revenues</b>	<b>427 320 00</b>	<b>452 320 00</b>	<b>465 429 34</b>	<b>13 109 34</b>
<b>Expenditures:</b>				
Legislative:				
Township Board	150 850 00	150 850 00	144 694 80	(6 155 20)
General government:				
Supervisor	16 665 00	16 665 00	16 334 45	(330 55)
Elections	800 00	800 00	1 013 70	213 70
Assessor	19 100 00	19 100 00	18 980 00	(120 00)
Clerk	15 947 00	15 947 00	15 019 77	(927 23)
Treasurer	17 547 00	17 547 00	17 189 49	(357 51)
Building and grounds	25 000 00	25 000 00	24 082 82	(917 18)
Cemetery	3 425 00	3 425 00	3 418 12	(6 88)
Public safety:				
Protective inspection	74 100 00	74 100 00	45 597 53	(28 502 47)
Public works:				
Drains	5 000 00	5 000 00	3 028 93	(1 971 07)
Highways and streets	98 426 00	98 426 00	79 412 96	(19 013 04)
Capital outlay	-	-	8 179 00	8 179 00
<b>Total expenditures</b>	<b>426 860 00</b>	<b>426 860 00</b>	<b>376 951 57</b>	<b>(49 908 43)</b>
<b>Excess of revenues over expenditures</b>	<b>460 00</b>	<b>25 460 00</b>	<b>88 477 77</b>	<b>63 017 77</b>
<b>Other financing sources (uses):</b>				
Operating transfers in	-	-	45 187 52	45 187 52
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>45 187 52</b>	<b>45 187 52</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>460 00</b>	<b>25 460 00</b>	<b>133 665 29</b>	<b>108 205 29</b>
<b>Fund balance, April 1</b>	<b>-</b>	<b>-</b>	<b>860 028 00</b>	<b>860 028 00</b>
<b>Fund Balance, March 31</b>	<b>460 00</b>	<b>25 460 00</b>	<b>993 693 29</b>	<b>968 233 29</b>

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

**BUDGETARY COMPARISON SCHEDULE – FIRE FUND**  
Year ended March 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	223 238 00	223 238 00	245 046 08	21 808 08
Federal grant	-	60 685 00	60 685 00	-
State grant	-	-	1 447 00	1 447 00
Interest	<u>4 400 00</u>	<u>4 400 00</u>	<u>4 915 00</u>	<u>515 00</u>
Total revenues	<u>227 638 00</u>	<u>288 323 00</u>	<u>312 093 08</u>	<u>23 770 08</u>
Expenditures:				
Public safety:				
Fire protection	221 019 00	148 600 00	110 528 69	(38 071 31)
Capital outlay	-	60 685 00	60 685 00	-
Debt service	<u>-</u>	<u>72 419 00</u>	<u>70 861 16</u>	<u>(1 557 84)</u>
Total expenditures	<u>221 019 00</u>	<u>281 704 00</u>	<u>242 074 85</u>	<u>(39 629 15)</u>
Excess of revenues over expenditures	6 619 00	6 619 00	70 018 23	63 399 23
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>300 742 00</u>	<u>300 742 00</u>
Fund Balance, March 31	<u>6 619 00</u>	<u>6 619 00</u>	<u>370 760 23</u>	<u>364 141 23</u>



TOWNSHIP OF BERTRAND  
Berrien County, Michigan

**BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENTS FUND**  
Year ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Interest	-	1 092 12	1 092 12	-
Total revenues	-	1 092 12	1 092 12	-
Expenditures	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over expenditures	-	1 092 12	1 092 12	-
Other financing sources (uses):				
Operating transfers out	-	(45 187 52)	(45 187 52)	-
Total other financing sources (uses)	-	(45 187 52)	(45 187 52)	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	(44 095 40)	(44 095 40)	-
Fund balance, April 1	-	44 095 40	44 095 40	-
Fund Balance, March 31	-	-	-	-

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2008

	<u>Balance</u> <u>4/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/08</u>
<u>Assets</u>				
Cash in Bank	<u>244,855.87</u>	<u>2,037,059.69</u>	<u>2,076,613.06</u>	<u>205,302.50</u>
<u>Liabilities</u>				
Due to other funds	41,094.10	361,645.83	377,099.03	25,640.90
Due to other units	<u>203,761.77</u>	<u>1,675,413.86</u>	<u>1,699,514.03</u>	<u>179,661.60</u>
Total Liabilities	<u>244,855.87</u>	<u>2,037,059.69</u>	<u>2,076,613.06</u>	<u>205,302.50</u>

TOWNSHIP OF BERTRAND  
Berrien County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2008

Cash in bank – beginning of year	<u>244 855 87</u>
Cash receipts:	
Property tax	<u>2 037 059 69</u>
Total cash receipts	<u>2 037 059 69</u>
Total beginning balance and cash receipts	<u>2 281 915 56</u>
Cash disbursements:	
Township General Fund	244 523 26
Township Fire Fund	131 050 77
River Terrace Fund	1 525 00
Galien School	127 782 34
Niles School	265 212 87
Brandywine School	160 513 10
Berrien ISD	268 039 09
Lake Michigan Community College	202 304 15
Contracted Services:	
Ambulance	20 520 00
State of Michigan	212 701 68
Berrien County	116 987 01
Buchanan Library	41 451 93
Buchanan School	278 839 39
Refunds	<u>5 162 47</u>
Total cash disbursements	<u>2 076 613 06</u>
Cash in Bank – End of Year	<u>205 302 50</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA

512 N. LINCOLN AVE. - SUITE 100  
P.O. BOX 686  
BAY CITY, MICHIGAN 48707

TEL (989) 894-1040  
FAX (989) 894-5494

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

May 28, 2008

To the Township Board  
Township of Bertrand  
Berrien County, Michigan

We have audited the financial statements of the Township of Bertrand for the year ended March 31, 2008. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Bertrand in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Bertrand  
Berrien County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

The Township's system of internal control is affected by the size of staff that it can employ.

The ultimate accounting system would include enough employees to completely segregate all aspects of each transaction. Different departments or individuals would handle: transaction authorization, transaction execution, asset handling, recording of transactions, review of transactions and subsequent control of assets.

The Township cannot enact a complete segregation of all aspects of each transaction due to the nature of local units of government. The "cost to benefit" relationship also would not justify a complete segregation of all duties.

We recommend that the Township Board Members understand these circumstances when performing their oversight responsibilities.

We also recommend that all of the monthly bank reconciliations for all of the Township bank accounts be prepared by the Township Treasurer.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2008.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants